

UNITED STATES
SECURITY AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10 - QSB

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OF 15 (d) OF THE SECURITY
EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2002

☐ TRANSITION REPORT UNDER SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE
ACT OF 1934

For the transition period from _____ to _____

Commission File Number 000-32957

Globe Bancorp, Inc.
(Exact name of small business issuer as specified in its charter)

LOUISIANA
(State or other jurisdiction of
incorporation or organization)

(72-1498296)
(I R S Employer
Identification No.)

4051 VETERANS BOULEVARD, SUITE 100, METAIRIE, LOUISIANA 70002
(Address of principal executive offices)

Issuer's telephone number, including area code: 504-887-0057

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15 (d) of the Exchange Act during the past 12 months (or for such shorter period that the issuer was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Shares of common stock, par value \$.01 per share, outstanding as of May 9, 2002: 304,175

Transitional Small Business Disclosure Format (check one): Yes ☐ No ☒

GLOBE BANCORP, INC.
Form 10 - QSB
Quarter Ended March 31, 2002
PART I - FINANCIAL INFORMATION

Interim Financial Information required by Rule 10-01 of Regulation S-X and Item 303 of Regulation S-B is included in this Form 10-QSB as referenced below:

| | <u>Page</u> |
|-------------------|--|
| Item 1 | Financial Statements |
| | Consolidated Statements of Financial Condition at March 31, 2002 (Unaudited) and December 31, 2001 |
| | 3 |
| | Consolidated Statements of Income and Comprehensive Income (Unaudited) For the Three Months ended March 31, 2002 and 2001 |
| | 4 |
| | Consolidated Statements of Changes in Equity (Unaudited) for the Three Months Ended March 31, 2002 and 2001 |
| | 6 |
| | Consolidated Statements of Cash Flows (Unaudited) for the Three Months Ended March 31, 2002 and 2001 |
| | 7 |
| | Notes to Consolidated Financial Statements |
| | 8 |
| Item 2 | Management's Discussion and Analysis or Plan of Operation |
| | 10 |
| | PART II - OTHER INFORMATION |
| Item 1 | Legal Proceedings |
| | 14 |
| Item 2 | Changes in Securities and Use of Proceeds |
| | 14 |
| Item 3 | Defaults Upon Senior Securities |
| | 14 |
| Item 4 | Submission of Matters to a Vote of Security Holders |
| | 14 |
| Item 5 | Other Information |
| | 14 |
| Item 6 | Exhibits and Reports on Form 8-K |
| | 14 |
| Signatures | 14 |

GLOBE BANCORP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
MARCH 31, 2002 AND DECEMBER 31, 2001

| | <u>MARCH</u> <u>31, 2002</u> (Unaudited) | <u>DECEMBER</u> <u>31, 2001</u> |
|--|---|--|
| ASSETS | | |
| Cash | \$ 206,184 | \$ 166,500 |
| Interest-bearing deposits | 252,641 | 379,253 |
| Federal funds sold | <u>4,078,384</u> | <u>3,879,681</u> |
| Total cash and cash equivalents | 4,537,209 | 4,425,434 |
| Securities available for sale | 2,240,174 | 4,094,480 |
| Securities held to maturity | 3,410,778 | 1,988,661 |
| Trading account securities | 978,749 | - |
| Loans receivable, net | 21,175,282 | 21,216,530 |
| Accrued interest receivable | 152,575 | 124,036 |
| Federal Home Loan Bank stock, restricted, at cost | 346,700 | 309,200 |
| Prepaid expenses and other assets | 120,496 | 112,792 |
| Premises and equipment, net | <u>79,963</u> | <u>83,997</u> |
| Total assets | <u>\$33,041,926</u> | <u>\$32,355,130</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Deposits | \$21,578,844 | \$20,766,537 |
| Federal Home Loan Bank advances | 5,369,069 | 5,492,312 |
| Advances from borrowers for taxes and insurance | 94,794 | 152,497 |
| Accrued expenses and other liabilities | <u>130,953</u> | <u>110,215</u> |
| Total liabilities | <u>27,173,660</u> | <u>26,521,561</u> |
| Preferred stock - \$.01 par value, 500,000 shares authorized, none issued | - | - |
| Common stock - \$.01 par value, 3,000,000 shares authorized, 304,175 shares issued and outstanding at March 31, 2002 | 3,042 | 3,042 |
| Additional paid-in capital | 2,721,753 | 2,721,753 |
| Retained earnings, substantially restricted | 3,344,373 | 3,302,976 |
| Accumulated other comprehensive income | 24,298 | 30,998 |
| Unearned compensation | <u>(225,200)</u> | <u>(225,200)</u> |
| Total stockholders' equity | <u>5,868,266</u> | <u>5,833,569</u> |
| Total liabilities and stockholders' equity | <u>\$33,041,926</u> | <u>\$32,355,130</u> |

The accompanying notes are an integral part of these financial statements.

GLOBE BANCORP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
AND COMPREHENSIVE INCOME
Three Months Ended March 31, 2002 and 2001

| | Three Months Ended March 31, 2002 (Unaudited) | March 31, 2001 (Unaudited) |
|--|---|-------------------------------|
| INTEREST INCOME: | | |
| Loans receivable, primarily first mortgage loans | \$379,109 | \$317,787 |
| Securities available for sale | 44,232 | 85,970 |
| Securities held to maturity | 38,447 | - |
| Trading account securities | 2,437 | - |
| Other interest earning assets | <u>21,280</u> | <u>23,676</u> |
| Total interest income | <u>485,505</u> | <u>427,433</u> |
| INTEREST EXPENSE: | | |
| Deposits | 215,930 | 244,606 |
| Federal Home Loan Bank advances | <u>71,793</u> | <u>51,963</u> |
| Total interest expense | <u>287,723</u> | <u>296,569</u> |
| Net interest income | 197,782 | 130,864 |
| Provision for (recovery of) loan losses | <u>(1,024)</u> | <u>1,324</u> |
| Net interest income after provision for (recovery of) loan losses | <u>198,806</u> | <u>129,540</u> |
| NONINTEREST INCOME: | | |
| Service charges | 659 | 709 |
| Net realized gain on sales of securities available for sale | <u>15,326</u> | <u>7,234</u> |
| Total noninterest income | <u>15,985</u> | <u>7,943</u> |
| NONINTEREST EXPENSES: | | |
| Salaries and employee benefits | 67,001 | 61,079 |
| Occupancy expense | 21,052 | 21,826 |
| Data processing expense | 12,085 | 8,122 |
| Stationery, printing and supplies | 5,737 | 2,844 |
| General insurance | 4,638 | 4,947 |
| Professional fees | 14,404 | 4,306 |
| SAIF deposit insurance and examination fees | 3,338 | 3,100 |
| Loss on trading account securities | 9,883 | - |
| Real estate and share taxes | 13,075 | 525 |
| Other | <u>9,558</u> | <u>8,115</u> |
| Total noninterest expense | <u>160,771</u> | <u>114,864</u> |
| Income before income taxes | 54,020 | 22,619 |
| Income tax expense (benefit) | <u>12,623</u> | <u>5,299</u> |
| NET INCOME | <u>\$ 41,397</u> | <u>\$ 17,320</u> |
| Basic earnings per common share | <u>\$0.15</u> | <u>N/A</u> |
| Diluted earnings per common share | <u>\$0.15</u> | <u>N/A</u> |

The accompanying notes are an integral part of these financial statements.

GLOBE BANCORP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
AND COMPREHENSIVE INCOME
Three Months Ended March 31, 2002 and 2001

| | Three Months Ended | |
|--|-------------------------------|-------------------------------|
| | March 31, 2002 (Unaudited) | March 31, 2001 (Unaudited) |
| NET INCOME | \$ 41,397 | \$ 17,320 |
| COMPREHENSIVE INCOME | | |
| Other comprehensive income (loss) | | |
| Unrealized gain (loss) on investments securities available for sale, net of deferred tax expense (benefit) and reclassification adjustment for gains | <u>(6,700)</u> | <u>21,769</u> |
| COMPREHENSIVE INCOME | <u>\$ 34,697</u> | <u>\$ 39,089</u> |

The accompanying notes are an integral part of these financial statements.

GLOBE BANCORP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
THREE MONTHS ENDED MARCH 31, 2002 AND 2001

(UNAUDITED)

| | Preferred Stock | Common Stock | Additional Paid-In Capital | Retained Earnings Substantially Restricted | Accumulated Other Comprehensive (Loss) Income | Unearned Compensation | Total Equity |
|---|--------------------|-----------------|----------------------------------|---|--|--------------------------|-----------------|
| Balance, January 1, 2001 | \$ - | \$ - | \$ - | \$3,276,703 | \$ (3,357) | \$ - | \$3,273,346 |
| Net income | | | | | | | |
| Other comprehensive income, net of tax | | | | 17,320 | - | - | 17,320 |
| Unrealized gain on securities | - | - | - | - | 21,769 | - | 21,769 |
| Balance, March 31, 2001 | \$ - | \$ - | \$ - | \$3,297,023 | \$ 18,412 | \$ - | \$3,312,435 |
| Balance, January 1, 2002 | \$ - | \$ 3,042 | \$2,721,753 | \$3,302,976 | \$ 30,998 | \$ (225,200) | \$5,833,569 |
| Net income | | | | 41,397 | - | - | 41,397 |
| Other comprehensive income, net of tax | | | | | (6,700) | - | (6,700) |
| Unrealized (losses) on securities | - | - | - | - | 24,298 | (225,200) | \$5,868,266 |
| Balance, March 31, 2002 | \$ 0 | \$ 3,042 | \$2,721,753 | \$3,344,373 | \$ 24,298 | \$ (225,200) | \$5,868,266 |

The accompanying notes are an integral part of these financial statements.

GLOBE BANCORP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2002 and 2001

| | Three months ended March 31, | |
|---|------------------------------|--------------------|
| | 2002 | 2001 |
| Cash flows from operating activities: | | |
| Net income | \$ 41,397 | \$ 17,320 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Premium and discount amortization on securities | 3,013 | 4,087 |
| (Accretion) on loans | (1,599) | (110) |
| Capitalization of loan origination costs | (3,092) | (1,180) |
| Loan fees received | 1,906 | - |
| Net (gain) loss on sales of securities available for sale | (15,326) | (7,234) |
| (Recovery of) provision for loan losses | (1,024) | 1,324 |
| Depreciation and amortization | 4,034 | 4,704 |
| Federal Home Loan Bank stock dividends | (2,400) | (4,100) |
| Loss on trading account securities | 9,883 | - |
| (Increase) decrease in accrued interest receivable | (28,538) | 7,937 |
| (Increase) in prepaid expenses and other assets | (7,705) | (63,563) |
| Increase (decrease) in other liabilities | <u>24,190</u> | <u>(19,842)</u> |
| Net cash provided by operating activities | <u>24,739</u> | <u>(60,657)</u> |
| Cash flows from investing activities: | | |
| Loan originations | (495,382) | (465,349) |
| Principal repayments on loans | 540,439 | 322,952 |
| Purchases of securities available for sale | (497,300) | - |
| Proceeds from sales of securities available for sale | 1,985,288 | 986,577 |
| Principal repayments on securities available for sale | 369,407 | 503,169 |
| Purchases of Federal Home Loan Bank stock | (35,100) | - |
| Purchases of securities held to maturity | (1,478,525) | - |
| Principal repayments on securities held to maturity | 55,482 | - |
| Purchase of trading account securities | (988,634) | - |
| Additions to equipment and leasehold improvements | <u>-</u> | <u>(4,478)</u> |
| Net cash (used in) provided by investing activities | <u>(544,325)</u> | <u>1,342,871</u> |
| Cash flows from financing activities: | | |
| Net increase (decrease) in deposit accounts | 812,307 | (259,561) |
| Net (decrease) in Federal Home Loan Bank advances | (123,243) | - |
| Net (decrease) in advances from borrowers for taxes and insurance | <u>(57,703)</u> | <u>(52,069)</u> |
| Net cash provided by (used in) financing activities | <u>631,361</u> | <u>(311,630)</u> |
| Net increase in cash and cash equivalents | 111,775 | 970,584 |
| Cash and cash equivalents at beginning of the period | <u>4,425,434</u> | <u>925,102</u> |
| Cash and cash equivalents at end of period | <u>\$4,537,209</u> | <u>\$1,895,686</u> |

The accompanying notes are an integral part of these financial statements.

GLOBE BANCORP, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2002
(UNAUDITED)

Note 1 - Basis of Presentation -

The accompanying consolidated financial statements at March 31, 2002 and December 31, 2001 and for the three months ended March 31, 2002 and 2001 include the accounts of Globe Bancorp, Inc. (the Company) and its wholly owned subsidiary, Globe Homestead Savings Bank (the Bank). Currently, the business and management of Globe Bancorp, Inc. is primarily the business and management of the Bank. All significant intercompany transactions and balances have been eliminated in the consolidation.

On March 12, 2001, the Bank incorporated Globe Bancorp, Inc. to facilitate the conversion of the Bank from mutual to stock form (the "Conversion"). In connection with the Conversion, the Company offered its common stock to the depositors of the Bank as of specified dates and to an employee stock ownership plan. Upon consummation of the Conversion on July 9, 2001, all of the Bank's outstanding common stock was issued to the Company; the Company became the holding company for the Bank and the Company issued 304,175 shares of common stock.

The Company filed a Form SB-2 with the Securities and Exchange Commission ("SEC") on March 16, 2001, which as amended was declared effective by the SEC on May 14, 2001. The Bank filed a Form AC with the Office of Thrift Supervision ("OTS") on March 15, 2001. The Form AC and related offering and proxy materials, as amended, were conditionally approved by the OTS by a letter dated May 10, 2001. The Company also filed an Application H-(e) 1-S with the OTS on April 9, 2001, which was conditionally approved by the OTS by a letter dated May 10, 2001. The members of the Bank approved the Plan at a special meeting held on June 26, 2001, and the subscription and community offerings closed on June 21, 2001.

The Conversion was accounted for under the pooling of interest method of accounting. In the Conversion, the Company issued 304,175 shares of common stock, 24,334 shares of which were acquired by its Employee Stock Ownership Plan, and the Bank issued 100 shares of \$.01 par value common stock to the Company.

The accompanying unaudited financial statements were prepared in accordance with instructions for Form 10-QSB and, therefore, do not include information or footnotes necessary for a complete presentation of financial position, results of operations and cash flows in conformity with U.S. generally accepted accounting principles. However, all adjustments (consisting only of normal recurring accruals), which, in the opinion of management, are necessary for a fair presentation of the financial statements, have been included. The results of operations for the three months ended March 31, 2002 are not necessarily indicative of the results to be expected for the year ended December 31, 2002.

Note 2 - Employee Stock Ownership Plan-

The Company sponsors a leveraged employee stock ownership plan (ESOP) that covers all employees who have at least one year of service with the Bank. The ESOP shares are initially pledged as collateral for its debt. The debt is being repaid based on a fifteen-year amortization and the shares are being released for allocation to active employees annually over the fifteen-year period. The shares pledged as collateral are deducted from stockholders' equity as unearned ESOP shares in the accompanying balance sheets.

As shares are released from collateral, the Company reports compensation expense equal to the current market price of the shares released. The Bank has accrued \$3,000 of ESOP expense through March 31, 2002.

GLOBE BANCORP, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2002
(UNAUDITED)

The ESOP shares as of March 31, 2002 were as follows:

| | | |
|---------------------------------|---------------|-----|
| Allocated shares | 1,622 | |
| Shares released for allocation | 0 | |
| Unreleased shares | <u>22,712</u> | |
| Total ESOP shares | <u>24,334</u> | |
| | <u>=====</u> | |
| Fair value of unreleased shares | \$284,351 | (1) |
| | <u>=====</u> | |

(1) Based on market price on March 31, 2002.

Note 3 - Earnings Per Share

Basic earnings per share are computed by dividing net income by the weighted average number of shares of common stock outstanding, which were 281,463 for the three period ended March 31, 2002. Diluted earnings per share are calculated by dividing net income by the weighted average number of shares of common stock outstanding, including the effect of diluted securities, which was 281,463 for the three month period ended March 31, 2002.

**GLOBE BANCORP, INC. AND SUBSIDIARY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
CONSOLIDATED FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

General

The following discussion compares the consolidated financial condition of Globe Bancorp, Inc. and Subsidiary at March 31, 2002 to December 31, 2001 and the results of operations for the three month period ended March 31, 2002 with the same period in 2001. Currently, the business and management of Globe Bancorp, Inc. is primarily the business and management of the Bank. This discussion should be read in conjunction with the interim consolidated financial statements and footnotes included herein.

This quarterly report on Form 10 - QSB includes statements that may constitute forward-looking statements, usually containing the words "believe", "estimate", "expect", "intend" or similar expressions. These statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements inherently involve risk and uncertainties that could cause actual results to differ materially from those reflected in the forward-looking statements. Factors that could cause future results to vary from current expectations include, but are not limited to, the following: changes in economic conditions (both generally and more specifically in the markets in which the Company operates); changes in interest rates, accounting principles, policies or guidelines and in government legislation and regulation (which change from time to time and over which the Company has no control); and other risks detailed in this quarterly report on Form 10 - QSB and the Company's other Securities and Exchange Commission filings. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's analysis only as the date hereof. The Company undertakes no obligation to publicly revise these forward-looking statements to reflect events or circumstances that arise after the date hereof.

Our profitability depends primarily on our net interest income, which is the difference between interest and dividend income on interest-earning assets, principally loans, investment securities and interest-earning deposits in other institutions, and interest expense on interest-bearing deposits and borrowings from the Federal Home Loan Bank of Dallas. Net interest income is dependent upon the level of interest rates and the extent to which such rates are changing. Our profitability also depends, to a lesser extent, on noninterest income, provision for loan losses, noninterest expenses and federal income taxes. During the periods reported herein, net interest income after provision for loan losses exceeded total noninterest expense. Total noninterest expense consists of general, administrative and other expenses, such as compensation and benefits, occupancy and equipment expense, deposit insurance premiums and miscellaneous other expenses.

Globe Bancorp, Inc. is the holding company for the Bank. Substantially all of the Company's assets are currently held in, and its operations are conducted through, its sole subsidiary, the Bank. Historically, the Company's business has consisted primarily of originating single-family real estate loans secured by property in its market area. The Company's loans are primarily funded by certificates of deposit, which typically have higher rates than transaction accounts. Typically, single-family loans involve a lower degree of risk and carry a lower yield than commercial real estate, construction and consumer loans. The combination of these factors has resulted in historically lower interest rate spreads and returns on equity. Although the Company may attempt to expand its loan products by emphasizing certain consumer lending, Globe Bancorp, Inc. presently anticipates that its business will continue to primarily consist of originating single-family loans funded primarily by deposits.

Our operations and profitability are subject to changes in interest rates, applicable statutes and regulations and general economic conditions, as well as other factors beyond our control.

**GLOBE BANCORP, INC. AND SUBSIDIARY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
CONSOLIDATED FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

Changes in Financial Condition

Total assets increased by \$687,000 or 2.12% from December 31, 2001 to March 31, 2002. The increase was primarily due to increases of \$1,422,000 in securities held to maturity, \$979,000 in trading account securities and \$112,000 in cash and cash equivalents. These increases were partially offset by a decrease of \$1,854,000 in securities available for sale. The Bank purchased mortgage-backed securities to offset decreased loan demand during the first quarter. The increase in cash and cash equivalents was primarily due to normal operating activities.

Total classified assets decreased \$23,000 from December 31, 2001 to March 31, 2002. The Bank did not have any classified assets on March 31, 2002.

Deposits increased by \$812,000 or 3.91% from December 31, 2001 to March 31, 2002. The increase was made up entirely by increases in interest-bearing deposits.

Total stockholders' equity increased by \$35,000 or 0.59% in the first three months of 2002. Equity was increased by net income of \$41,000 and decreased by a \$7,000 reduction in accumulated other comprehensive income during the period. Stockholders' equity at March 31, 2002 totaled \$5,868,000 compared to equity of \$5,834,000 at December 31, 2001.

Liquidity and Capital Resources

In the past, the Bank was required under federal regulations to maintain specified levels of "liquid" investments in qualifying types of U.S. Government, federal agency and other investments having maturities of up to five years. OTS regulations required that a savings institution maintain liquid assets of not less than 4% of its average daily balance of net withdrawable deposit accounts and borrowings due in one year or less. At March 31, 2002, the Bank's liquidity was 28.79% or \$5,692,000 in excess of the prior minimum OTS requirement. In March 2001, the OTS issued an interim rule that removed the requirement that savings institutions maintain an average daily balance of 4.0% of its liquidity base. The proposed rules require all savings institutions and service corporations to maintain sufficient liquidity to ensure their safe and sound operations.

At March 31, 2002, the Bank had outstanding commitments to originate \$1,256,000 of loans (excluding undisbursed portions of loans). In addition, as of March 31, 2002, the total amount of certificates of deposit and Federal Home Loan Bank advances that were scheduled to mature in the following twelve months were \$12,796,000 and \$1,353,000, respectively. The Bank believes that it has adequate resources to fund all of its commitments and that it can adjust the rate on certificates of deposit to retain deposits in changing interest rate environments. If the Bank requires funds beyond its internal funding capabilities, advances from the Federal Home Loan Bank of Dallas are available as an additional source of funds.

The Bank is required to maintain regulatory capital sufficient to meet tangible, core and risk-based capital ratios of at least 1.5%, 4.0% and 8.0%, respectively. At March 31, 2002, the Bank exceeded each of its capital requirements with ratios of 14.13%, 14.13% and 31.69%, respectively.

**GLOBE BANCORP, INC. AND SUBSIDIARY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
CONSOLIDATED FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

Results of Operations

Net income increased by \$24,000 or 139.01% in the quarter ended March 31, 2002 compared to the respective period in 2001. The increase in net income for the three-month period was primarily due to an increase in net interest income that was offset by increases in noninterest expenses and income tax expense.

Interest income increased \$58,000 or 13.59% for the quarter ended March 31, 2002 over the comparable 2001 period. This was primarily due to an increase in income from loans receivable and was partially offset by a decrease in income from other interest earning assets. The increase in interest income on loans receivable of \$61,000 or 19.30% for the quarter ended March 31, 2002 was due to an increase in the average balance of such assets which was partially offset by a decrease in the yield on such assets. The average balance of loans receivable increased to \$21,268,000 for the three months ended March 31, 2002 compared to \$17,368,000 for the three months ended March 31, 2001. This increase in loans receivable was attributable to the origination of \$8,000,000 in loans, offset by \$4,300,000 in repayments and loan sales. The average yield decreased to 7.13% at March 31, 2002, compared to 7.32% at March 31, 2001 reflecting the declining interest rate environment. The decrease in interest income on other interest earning assets of \$2,000 or 10.12% for the quarter ended March 31, 2002 was due to a decrease in short-term interest rates that caused the average yield on other interest earning assets to decrease from 5.22% for the three months ended March 31, 2001 to 1.74% for the three months ended March 31, 2002. The average balance of such assets increased from \$1,764,000 at March 31, 2001 to \$4,828,000 at March 31, 2002. Interest income on investment securities was unchanged for the quarter ended March 31, 2002.

Interest expense decreased \$9,000 or 2.98% in the quarter ended March 31, 2002 compared to the comparable 2001 period. The decrease was primarily due to a decrease in interest on deposits. The decrease in interest on deposits was partially offset by an increase in interest expense on Federal Home Loan Bank advances. Interest expense on deposits decreased \$29,000 or 11.72% for the quarter ended March 31, 2002 primarily due to a decrease in the average rate paid on deposits from 5.54% for the three months ended March 31, 2001 to 4.11% for the three months ended March 31, 2002. Such decrease reflects the declining interest rate environment. Interest expense on Federal Home Loan Bank advances increased \$20,000 or 38.16% for the quarter ended March 31, 2002 due primarily to an increase in the average balance of such liabilities from \$3,500,000 for the three months ended March 31, 2001 to \$5,431,000 for the three months ended March 31, 2002. This increase in the average balance was due to new advances in the latter part of 2001 and early 2002 to fund the purchase of investment securities in furtherance of the Bank's desire to leverage the capital raised in the conversion. A decline in short-term interest rates caused the average rate paid on Federal Home Loan Bank advances to decrease from 5.94% for the three months ended March 31, 2001 to 5.30% for the three months ended March 31, 2002.

**GLOBE BANCORP, INC. AND SUBSIDIARY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
CONSOLIDATED FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

Net interest income increased \$67,000 or 51.14% in the quarter ended March 31, 2002 over the comparable 2001 period. This was primarily due to the increase in the interest rate spread and the increase in the ratio of average interest-earning assets to average interest-bearing liabilities. The interest rate spread increased to 1.70% for the three months ended March 31, 2002, from 1.44% for the three months ended March 31, 2001. The ratio of average interest-earning assets to average interest-bearing liabilities increased to 121.32% for the three months ended March 31, 2002, compared to 114.35% for the three months ended March 31, 2001. The net interest margin was 3.51% for the quarter ended March 31, 2002, compared to 4.28% for the quarter ended March 31, 2001.

The recovery of loan losses was \$1,024 for the three months ended March 31, 2002, compared to a provision of \$1,324 for the same period in 2001. At March 31, 2002, the Bank did not have any non-accruing loans, a decrease of \$19,000 or 100.00% compared to March 31, 2001. The allowance for loan losses amounted to \$100,000 at March 31, 2002, representing 0.47% of the total loans outstanding. The allowance for loan losses decreased \$1,000 for the three-months ended March 31, 2002. The Bank believes its allowance for loan losses was sufficient as of March 31, 2002.

Non-interest income increased \$8,000 or 101.24% for the quarter ended March 31, 2002 compared to the respective period in 2001. The increase for the quarter ended March 31, 2002 was attributable to an increase in gain on sale of securities available for sale.

Non-interest expenses increased \$46,000 or 39.97% in the quarter ended March 31, 2002 as compared to the respective period in 2001. The increase was primarily due to an increase of \$13,000 in real estate and share taxes, \$10,000 in loss on trading account securities, \$10,000 in professional fees and \$6,000 in salaries and employee benefits. The increases were partially offset by a decrease of \$1,000 or 3.54% in occupancy expense. The increase in salaries and employee benefits was due to the hiring of an additional staff member and the accrual of expenses relating to the ESOP. The increase in professional fees was due to the additional reporting requirements of a public company. The increase in real estate and share taxes was a result of additional taxes due to the status of the Bank as a stock corporation. This tax will be an ongoing expense.

Income tax expense increased in the quarter ending March 31, 2002 due to an increase in income before income taxes, compared to the same period in 2001.

Impact of Inflation and Changing Prices

The financial statements and related financial data presented herein regarding the Company have been prepared in accordance with U.S. generally accepted accounting principles, which generally require the measurement of financial position and operating results in terms of historical dollars, without considering changes in relative purchasing power over time due to inflation. Unlike most industrial companies, virtually all of the Company's assets and liabilities are monetary in nature. As a result, interest rates generally have a more significant impact on the Company's performance than does the effect of inflation. Interest rates do not necessarily move in the same direction or in the same magnitude as the prices of goods and services, since such prices are affected by inflation to a larger extent than interest rates.

GLOBE BANCORP, INC.
Form 10-QSB
Quarter Ended March 31, 2002

PART II - OTHER INFORMATION

Item 1 - Legal Proceeding:

There are no matters required to be reported under this item.

Item 2 - Changes in Securities:

There are no matters required to be reported under this item.

Item 3 - Defaults upon Senior Securities:

There are no matters required to be reported under this item.

Item 4 - Submission of Matters to a Vote of Security Holders:

There are no matters required to be reported under this item.

Item 5 - Other Information:

There are no matters required to be reported under this item.

Item 6 - Exhibits and Reports on Form 8-K:

(a) the following exhibit is filed herewith:

| EXHIBIT NO. | DESCRIPTION |
|-------------|-------------|
|-------------|-------------|

There are no matters required to be reported under this item.

(b) Reports on Form 8-K:

No reports on Form 8-K were filed by the Registrant during the quarter ended March 31, 2002.

SIGNATURES

In accordance with the requirements of the Securities Exchange Act of 1934, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

GLOBE BANCORP, INC.
Registrant

Date: May 9, 2002

By: /s/ Thomas J. Exnicios
Thomas J. Exnicios
President, Chief Executive Officer and
Chief Financial Officer